

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-05 L-01 ACDA-05

NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 SS-15 NSC-05 OMB-01 /060 W

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R 291900Z OCT 74

FM USMISSION NATO

TO SECSTATE WASHDC 8473

SECDEF WASHDC

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY LOXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USDELMC BRUSSELS

USCINCEUR

USNMR SHAPE

C O N F I D E N T I A L USNATO 6016

E.O. 11652: GDS

TAGS: NATO, XGN ETRN, MARR

SUBJECT: CENTRAL EUROPE PIPELINE SYSTEM (CEPS) COST SHARING FORMULA

SUMMARY: CEPPC PERM REPS ARRIVED AT TENTATIVE ACCEPTED FORMULA FOR COST SHARING OF DEFICIT TO BE APPLIED FROM 1 OCT 74. SEVERAL ALLIES NEEDED CONFIRMATION OF CAPITALS AND GROUP AGREED TO APPROVAL BY SILENCE

PROCEDURE FAILING OBJECTION BY 6 NOVEMBER. END SUMMARY.

1. DE STAERCKE (BELGIUM) PRESIDING AS DEAN, NOTED THAT PREVIOUS MEETING ON 21 OCTOBER HAD ENDED WITH REPRESENTATIVES AGREEING TO SEEK INSTRUCTIONS ON UK FORMULA DERIVED FROM CEOA FORMULA BY REDUCING FRENCH SHARE BY 1 PCT AND INCREASING US SHARE BY 1 PCT. HE REQUESTED COMMENTS.
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2. MENZIES (CANADA) SUGGESTED THAT LUXEMBOURG, AS MEMBER OF CEPPC, SHOULD NOT BE EXEMPT FROM SOME SHARE OF THE DEFICIT. ALL AGREED (WITH EXCEPTION OF LUXEMBOURG WHICH WAS NOT PRESENT) TO A LUXEMBOURG SHARE OF 0.02 PCT.

3. DE STAERCKE REQUESTED COMMENTS FROM UL REP BEFORE TURNING TO FRANCE. MCAULIFFE NOTED THAT HIS INSTRUCTIONS REQUIRED ACCEPTANCE BY OTHERS BEFORE HE COULD STATE US POSITION BUT NOTED THAT US POSITION WOULD BE EASIER IF ALLIES COULD AGREE TO APPLY NEW FORMULA AS OF 1 JAN 74 RATHER THAN LATER IN THE YEAR.

4. DE ROSE (FRANCE) INDICATED JOVIALY THAT HIS AUTHORITIES STILL CONSIDERED THAT MILITARY USE CONSTITUTED THE ESSENTIAL CRITERIA FOR FIXING THE COST SHARING FORMULA. THEY HAD AGREED, HOWEVER, TO MAKE A SUPPLEMENTARY EFFORT IN BRINGING THEIR CONTRIBUTION TO 22 PCT, THE NEW FORMULA BEING APPLICABLE FROM 1 JAN 75. HEBELIEVED, HOWEVER, THAT HE HAD THE AUTHORITY TO AGREE ON A DATE OF 1 OCT 74 AS THE MAXIMUM FRENCH CONCESSION. HE HOPED THAT THE NEW FORMULA WOULD APPLY DURING THREE OR FOUR YEARS AND BE TACITLY REVIEWED UNLESS A MEMBER NATION REQUESTS REVISION.

5. DE STAERCKE, THANKING DE ROSE, NOTED NEVERTHELESS THAT NEW FRENCH POSITION LEFT THE CEPPC 1 PCT SHORT OF A FULL AGREEMENT. TAKING THE LUXEMBOURG 0.02 PCT INTO ACCOUNT, THIS LEFT 0.98 PCT. HE SUGGESTED THAT PERHAPS BELGIUM AND THE NETHERLANDS WOULD BE WILLING EACH TO TAKE ONE-HALF OF THAT AMOUNT. HARTOGH (NETHERLANDS) OBJECTED AND SUGGESTED THAT CANADA AND THE UK MIGHT BE WILLING TO SHARE WITH THE BENELUX. WITH SOME RELUCTANCE PECK, (UK) AGREED TO TAKE AN EXTRA 0.245 PCT, AS DID CANADA, BELGIUM AND THE NETHERLANDS, AD REFERENDUM.

6. HARTOGH STATED THAT THE NEW FORMULA SHOULD NOT HAVE ANY CONDITIONS ATTACHED TO IT. HE WAS PARTICULARLY WORRIED ABOUT EARLIER FRG CONDITIONS WHICH SEEMED TO INHIBIT BUDGET SCREENING BY CEPPC. DE STAERCKE SAID THAT HIS UNDERSTANDING WAS THAT THE FRG CONDITIONS HAD BEEN CONSIDERABLY WATERED DOWN. KRAPF (FRG) AGREED THAT THE FRG QUOTE UNDERSTANDING UNQUOTE WAS THAT THE NEW FORMULA WOULD ASSUME THAT COSTS RESULTING FROM LEGISLATIVE REQUIREMENTS AND SAFETY MEASURES WOULD REMAIN ELIGIBLE FOR COMMON FUNDING. CEPPC HAD CONFIDENTIAL

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AGREED THAT SUCH CONDITIONS WOULD NOT FRUSTRATE BUDGET SCREENING PROCEDURES.

7. MCAULIFFE AGAIN SUGGESTED THAT US POSITION WOULD BE EASIER IF NEW FORMULA WOULD APPLY FROM 1 JAN 74. US CONCERN STILL FOCUSED ON THE OVERALL CONTRIBUTION TO THE DEFICIT, AND HIS AUTHORITIES NOTED THAT THE US SHARE OF THE DEFICIT WOULD CONTINUE TO RISE EVEN AT THE NEW 25 PCT ASSESSMENT. ACTION WAS NECESSARY TO REDUCE COSTS AND TO INCREASE MILITARY AND CIVIL RATES IN ORDER TO ACHIEVE A RELATIVE EQUILIBRIUM. DE ROSE AND OTHERS AGREED THAT THE DEFICIT MUST BE REDUCED AND THE PERMREPS DECIDED TO DIRECT THE CEPPC EXPERTS TO MAKE MAXIMUM EFFORTS TO REDUCE THE DEFICIT BY WHATEVER MEANS WERE NECESSARY.

8. DE STAERCKE NOTED THAT PREFERENCE WAS FOR AN AGREEMENT AT THE FOLLOWING SHARES: US, 25 PCT; FRG, 24 PCT; FRANCE, 22 PCT; BELGIUM AND THE NETHERLANDS, 9.245 PCT; UK, 8,245 PCT; CANADA, 2.245 PCT; LUXEMBOURG, 0.02 PCT. HE ASKED MCAULIFFE TO SEEK US AGREEMENT TO APPLICATION OF THE NEW FORMULA ONLY FROM 1 OCT 74. HE ASKED ALL PERM REPS TO CONSULT THEIR AUTHORITIES AND INDICATE ACCEPTANCE OF THE NEW AGREEMENT BY SILENCE PROCEDURE ON 6 NOV 74.
MCAULIFFE.

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<< END OF DOCUMENT >>

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